AMEXA agency

AGRICULTURAL RISK MANAGEMENT

Course Date: TBD

Course Length:
2 days
8:30 a.m. – 4:30 p.m. EST each day (includes 60 min. lunch break)

In-Person Onsite

Instructor/Host
Richard Weissman
Nour Zekhmi

WHAT YOU WILL LEARN

This course provides an in-depth examination of price risk mitigation tools and techniques that will help you survive and even thrive in today's volatile agriculture markets. Learn which hedging tools are best suited to various market environments. Understand the benefits and limitations of each hedge instrument and how best to apply them given your company's view of outright price risk as well as basis risk.

Have you hedged too early? Applied suboptimal trading tools? Are you familiar with all the hedging instruments used in today's agricultural markets? Let Richard Weissman, a world-renowned author and specialist in agricultural risk management, share techniques, analysis and insights that only his thirty plus years of trading and risk management experience can bring. You'll gain a practical understanding of outright price risk, basis risk and optionality risk as well as the pros and cons of mitigating each of these risks.

Topics covered include:

- Best practices for a commercial hedging entity
- How to establish a corporate risk policy
- How to design a robust risk management program
- Determining hedge objectives and strategies
- Implementation of a daily mark-to-market
- How to reduce spot market exposures and guard against price spikes
- How to hedge with agricultural futures, options and swaps
- Hedge implementation, monitoring and adjustment
- The differences and similarities of futures, options, swaps and spot markets
- Real-time hedging examples for various products in agriculture and livestock markets using futures and options
- Setting up exchange-traded futures and options on futures accounts
- How to initiate and sustain protocols required by external auditors
- Margins and futures brokers
- What is the basis between spot and futures?
- How and when to hedge the basis
- What are HTAs and when to use them
- Commonly employed tools and techniques for agricultural risk managers
- Popular options spread strategies used by commercial hedgers in agriculture

Questions?
For more information or to register, contact:

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Course Syllabus – Day One

Morning Session

Session 1: Overview

We'll open the course by outlining what commercial hedging is and why it is so integral to risk management solutions adapted by virtually all major participants in today's agricultural industry.

Session 2: Purchasing and consumption of agricultural products

In this session you will learn how various agricultural products are purchased at all levels. We'll examine purchasing grains and livestock on spot and wholesale markets through traditional as well as non-traditional methods. We'll also explore physical market risk management tools and techniques.

Session 3: Managing price risk with options - the basics This session explores why options are used by commercial hedgers in agriculture.

Throughout the session we will dispel some of the most common myths in options trading. Despite their complexity, we'll show how easy it is to incorporate options into your risk management portfolio. This session will discuss why options are used by commercial hedgers, as well as the difference between calls and puts, the holders vs. the writers of options, and in-the-money, at-the-money, and out-of-the-money options, and basic inputs for pricing options.

Session 4: Options basics – trading simulation

Using actual past price history attendees will make options trading decisions. By the end of this simulation, you'll understand the difference between calls, puts, being a writer vs. being a holder, in-the-money, at-the-money and out-of-the-money as well as how volatility impacts trading decisions in options.

Afternoon Session

Session 1: Identifying product price and physical margin risk

This session will show attendees how to identify and quantify outright price risk as well as basis risk from the perspective of companies operating at the producer, wholesaler, retailer, and end user levels of the agricultural infrastructure.

Session 2: Best practices for a commercial hedging operation

What are best practices for a commercial hedging operation? We'll look at basic questions like, what percentage of our physical market exposures do we want to hedge as well as duration of the hedge and the types of derivatives used to implement the hedge. These questions will be analyzed from the perspective of those pursuing active as well as passive hedge programs. This session covers corporate risk policies, procedures, board resolutions, and checks and balances.

Session 3: A macro overview of hedging tools

This session will provide a big picture understanding of various tools used by agricultural risk managers. We will examine the pros and cons of using physical purchase/sales methods, traditional exchange-traded derivatives (like futures and options on futures) as well as more exotic derivatives like swaps.

Session 4: A detailed look at CME Group futures

We'll cover how and why CME Group futures provide a simple, liquid market to manage price as well as margin risk for all agricultural commodities. Learn how the exchange works, their players, contract specifications, back office and clearing operations.

Course Syllabus – Day Two

Morning Session

Session 1: How to implement a hedge with CME Group

Learn how to establish a CME Group futures account, choose a futures commissions merchant, understand commissions and fees. We will explore how performance on a CME Group futures contract is guaranteed as well as the importance of the daily mark to market.

Session 2: Managing basis (correlation) risk

In this session, we will examine cash grain basis and how commercial hedgers trade basis in agricultural markets. Attendees will see various historical examples of outright physical market risks as well as how basis prices move over time. Finally, using historical outright and basis charts you will make trading decisions on the future trend of the basis for multiple elevator locations.

Session 3: Hedging with OTC agricultural derivatives

Discover the OTC forward market, tools, mechanisms, electronic exchanges for swaps, contracts, and ISDAs. See its similarities to the futures and options markets, and how OTC derivatives can help manage agricultural market risk.

- All about exchange-traded swaps offered on CME Group
- Difference and similarities between futures, options, and OTC derivatives
- Real-time examples of hedging grains using futures, options, HTAs and basis trades
- How OTC derivatives help minimize basis (correlation) risk

Session 4: Case study – hedging with CME Group futures

Our case study compares spot Decatur, IL mark to market vs. soybean futures for a soybean crush plant seeking to hedge new crop 2020 consumption with CME Group soybean futures from June-August, 2020. This session compares the economics of hedging with CME Group vs. Decatur spot pricing and highlights the basis risk entailed in this hedge.

Afternoon Session

Session 1: Directional option strategies for agricultural hedgers

This session provides a detailed examination of various directional spread strategies, such as collars, vertical debit spreads and backspreads. We will emphasize matching directional spread strategies with the hedger's directional and volatility forecasts. This session includes a trading simulation where attendees will trade collars and vertical debits spreads based on their directional and volatility views.

Session 2: Developing and comparing agricultural hedging strategies

We'll examine how various market conditions (bullish, bearish, volatile and sideways) favor one derivatives strategy versus another. Our cost-benefit comparison will include: exchange-traded futures, forwards, swaps, as well as various directional options strategies.

Session 3: Execution and implementation of the hedging strategy

This session incorporates a correlation analysis as well as showing how various market environments (bullish, bearish, neutral and volatile) impact the hedger's decision regarding: percentage of agricultural commodities hedged, duration of the hedge as well as hedge instrument (type of derivatives used).

Session 4: Putting it all together

In this final session, we'll develop a rule-based active hedge strategy using various tools and techniques examined throughout the two-day course including futures, options and option spreads from the perspective of both the agricultural commodities producer and consumer.

MEET YOUR INSTRUCTOR

Mr. Richard Weissman is one of the world's foremost authorities and thought leaders in the fields of derivatives, risk management and technical analysis. He is the author of two books:

Mechanical Trading Systems: Pairing Trader Psychology with Technical Analysis (Wiley, 2004) and *Trade Like a Casino: Find Your Edge, Manage Risk and Win Like the House* (Wiley, 2011) which was a finalist for the 2012 Technical Analyst Book of the Year Award.

Richard has more than 30 years of experience as a derivatives trader and has provided training and consultation services to traders and risk managers at investment banks, hedge funds, energy and agricultural companies for more than 20 years. He has helped train staff from virtually every major firm that uses derivatives including Morgan Stanley, Citicorp, Exxon-Mobil, Shell, Exelon, Cargill, CFTC, EIA, Platts, Intercontinental Exchange and CME Group. He has been the featured speaker at leading industry conferences throughout the world.

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